

November 1994

# FINANCIAL AUDIT

## Congressional Award Foundation's Financial Statements for the Periods Ended 9/30/93 and 12/31/92







United States  
General Accounting Office  
Washington, D.C. 20548

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Comptroller General  
of the United States

B-259269

November 25, 1994

To the President of the Senate and the  
Speaker of the House of Representatives

As required by Public Law 101-525, we audited the Congressional Award Foundation's statements of financial position as of September 30, 1993, and December 31, 1992, and the related statements of revenues, expenses, and changes in fund balance and statements of cash flows for the periods then ended. We found

- the financial statements were reliable in all material respects;
- internal controls in effect on September 30, 1993, provided reasonable assurance that losses, noncompliance with laws and regulations, and misstatements material to the financial statements would be prevented or detected; and
- no material noncompliance with laws and regulations we tested.

In our last report,<sup>1</sup> covering the 1992, 1991, and 1990 financial statements, we noted, while the Foundation had made some minor improvements to its internal controls, that serious problems remained. We suggested that the Foundation (1) aggressively pursue access to more staff with financial management expertise and (2) develop, document, and enforce appropriate internal control policies and procedures to obtain reasonable assurance that all transactions are properly recorded, processed, and summarized and that assets are safeguarded. We also mentioned that the Foundation had secured the pro bono services of a major accounting firm to provide assistance and counsel in financial management matters beginning in January 1993. Management pursued additional accounting expertise and aggressively implemented internal control procedures, which resulted in significant improvements and enabled us to provide an unqualified opinion on internal controls as of September 30, 1993.

The following sections outline each conclusion in more detail and discuss the scope of our audits.

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<sup>1</sup>Financial Audit: Congressional Award Foundation's Financial Statements for 1992, 1991, and 1990 (GAO/AIMD-94-87 July 14, 1994).

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## Opinion on Financial Statements

The financial statements and accompanying notes present fairly, in conformity with generally accepted accounting principles, the Foundation's

- assets, liabilities, and fund balance;
- revenues, expenses, and changes in fund balance; and
- cash flows.

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## Opinion on Internal Controls

The internal controls we evaluated were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with laws and regulations; and
- properly record, process, and summarize transactions to permit the preparation of financial statements and to maintain accountability for assets.

As of September 30, 1993, the Foundation corrected internal control weaknesses we identified in two areas in our last report. As a result, we were able to substantiate general ledger amounts for fixed assets which were previously incomplete. Further, the Foundation institutionalized several internal control procedures during the 9 months ended September 30, 1993, such as performing routine reconciliations which were not previously conducted.

Those controls in effect on September 30, 1993, provided reasonable assurance that losses, noncompliance, or misstatements material to the financial statements would be prevented or detected.

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## Compliance With Laws and Regulations

Our current year audit tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred.

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## Objectives, Scope, and Methodology

Management is responsible for

- preparing annual financial statements in conformity with generally accepted accounting principles,

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- establishing and maintaining internal controls and systems to provide reasonable assurance that the internal control objectives mentioned above are met, and
  - complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are reliable (free of material misstatement and presented fairly in conformity with generally accepted accounting principles) and (2) relevant internal controls are in place and operating effectively. We are also responsible for testing compliance with selected provisions of laws and regulations.

In order to fulfill these responsibilities, we

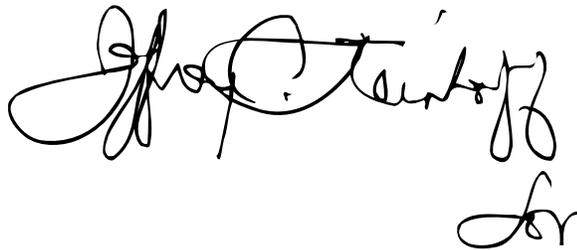
- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- evaluated and tested relevant internal controls which encompassed the following areas: treasury, revenues, expenditures, equipment, payroll, and financial reporting; and
- tested compliance with selected provisions of Public Law 96-114, as amended, and federal and state regulations on employee withholding and filing requirements for tax-exempt entities.

We limited our work to accounting and other controls necessary to achieve the objectives outlined in our opinion on internal controls. Because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may nevertheless occur and not be

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detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We performed our work in accordance with generally accepted government auditing standards. We completed our audit work on September 28, 1994.

A handwritten signature in black ink, appearing to read "Charles A. Bowshe". The signature is written in a cursive style with a large initial "C" and "B". Below the main signature, there is a smaller, separate handwritten mark that looks like "for".

Charles A. Bowshe  
Comptroller General  
of the United States

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# Financial Statements

## Statements of Financial Position

	September 30, <u>1993</u>	December 31, <u>1992</u>
<b>Assets</b>		
Current assets		
Cash	\$ 44,901	\$ 53,240
Federal Capitol Savings	95,467	0
Federal Capitol Money Market Account	5,025	0
Stanley Morris Scholarship Fund	<u>752</u>	<u>739</u>
Total cash	146,145	53,979
Accounts receivable	1,848	15,690
Prepaid expenses	1,821	1,451
Security deposits	<u>0</u>	<u>950</u>
Total current assets	<u>149,814</u>	<u>72,070</u>
Fixed assets (note 2)		
Equipment	38,247	33,745
Office furniture	15,779	15,779
Contributed equipment	13,628	13,628
Allowance for depreciation	<u>(56,289)</u>	<u>(52,052)</u>
Total fixed assets	<u>11,365</u>	<u>11,100</u>
<b>Total Assets</b>	<b><u>\$161,179</u></b>	<b><u>\$ 83,170</u></b>
<b>Liabilities and Fund Balances</b>		
Current liabilities		
Accounts payable	\$ 1,978	\$ 977
Accrued payroll and related taxes	3,192	4,385
Lease obligations	2,316	1,691
Deferred revenue (note 3)	<u>350</u>	<u>51,812</u>
Total current liabilities	7,836	58,865
Noncurrent lease obligations	1,889	4,207
Fund balance		
Unrestricted funds	<u>151,454</u>	<u>20,098</u>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$161,179</u></b>	<b><u>\$ 83,170</u></b>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Revenues, Expenses, and Changes in Fund Balance

	9 months ended September 30, <u>1993</u>	Year ended December 31, <u>1992</u>
<b>Revenues</b>		
Contributions (note 5)	\$329,327	\$327,385
Gold Award Ceremony	12,085	22,908
Interest income (note 8)	11,828	13,225
Administrative processing fees	8,182	9,829
Registration fees	1,977	2,725
Program materials	960	2,024
Shipping reimbursement	369	348
Promotion	439	1,174
Miscellaneous income	<u>0</u>	<u>20</u>
<b>Total revenues</b>	<b>365,167</b>	<b>379,638</b>
<b>Expenses</b>		
Salaries	95,509	139,854
Benefits	11,611	13,365
Payroll taxes	8,117	12,808
Program services (note 6)	61,675	98,367
Professional fees	24,867	13,248
Gold Award Ceremony (note 6)	16,185	26,761
Administrative (note 6)	4,863	13,455
Depreciation	4,237	4,469
Fundraising	4,294	0
Travel	1,056	1,482
Bad debts	950	71
Interest	331	294
Promotion	<u>116</u>	<u>2,055</u>
<b>Total expenses</b>	<b>233,811</b>	<b>326,229</b>
<b>Excess of revenues over expenses</b>	<b>131,356</b>	<b>53,409</b>
Fund balances, beginning of period	<u>20,098</u>	<u>(33,311)</u>
<b>Fund Balances, End of Period</b>	<b><u>\$151,454</u></b>	<b><u>\$ 20,098</u></b>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Cash Flows

	9 months ended September 30, <u>1993</u>	Year ended December 31, <u>1992</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from contributions	\$ 248,553	\$ 282,179
Cash received from councils and independents	24,012	39,364
Interest received	<u>11,828</u>	<u>12,242</u>
<b>Cash provided by operating activities</b>	<b>284,393</b>	<b>333,785</b>
Cash paid to or for employees	(117,486)	(176,968)
Cash paid to vendors	<u>(68,546)</u>	<u>(83,997)</u>
<b>Cash disbursed for operating activities</b>	<b>(186,032)</b>	<b>(260,965)</b>
<b>Net cash flow from operating activities</b>	<b>98,361</b>	<b>72,820</b>
<b>Cash Flow From Investing Activities</b>		
Cash paid to lease or acquire equipment	(6,195)	(2,178)
<b>Cash Flow From Financing Activities</b>		
Payments to settle short-term debt	<u>0</u>	<u>(50,000)</u>
<b>Net Increase in Cash</b>	<b>92,166</b>	<b>20,642</b>
Cash at beginning of period	<u>53,979</u>	<u>33,337</u>
<b>Cash at End of Period</b>	<b>\$ <u>146,145</u></b>	<b>\$ <u>53,979</u></b>
<b>Reconciliation of Excess of Revenues Over Expenses to Net Cash Used by Operating Activities</b>		
Excess of revenues over expenses	\$ 131,356	\$ 53,409
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation expense	4,237	4,469
Decrease in deposits	950	244
Decrease (increase) in accounts receivable	13,842	(13,942)
Increase in prepaid expenses	(370)	(1,451)
Increase (decrease) in accounts payable	1,001	(10,346)
Decrease in accrued liabilities	(1,193)	(10,392)
Increase (decrease) in deferred revenue	<u>(51,462)</u>	<u>50,829</u>
<b>Net Cash Flow From Operating Activities</b>	<b>\$ <u>98,361</u></b>	<b>\$ <u>72,820</u></b>

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

**Note 1. Organization**

In 1979, the Congressional Award Board, acting under the authority of section 7(i)1 of the Congressional Award Act, as amended, 2 U.S.C. § 806(i)1 (Supp V 1993), incorporated the Congressional Award Foundation under the District of Columbia Nonprofit Corporation Act, D.C. Code §§ 29-501 et seq, to assist the Board in carrying out the Congressional Award Program. The Foundation was established to promote initiative, achievement, and excellence among youth in areas of public service, personal development, physical fitness, and expedition.

**Note 2. Significant Accounting Policies**

The financial statements are prepared on the accrual basis of accounting. Assets and services which are contributed to the Foundation are included in the financial statements at fair market value as of the date of contribution.

Office furniture and equipment are stated at cost to the Foundation or at fair market value as of the date of contribution.

The Foundation uses the straight-line method of depreciation.

During 1993, the Foundation changed from a calendar year ending December 31 to a fiscal year ending September 30.

**Note 3. Deferred Revenue**

Deferred revenue as of September 30, 1993, and December 31, 1992, consisted of the following:

	September 30, <u>1993</u>	December 31, <u>1992</u>
Stanley C. Morris Fund Interest	\$350	\$ 337
Kansas Council Escrow	0	18,904
Field Services Revenue	0	22,002
Grant Contribution	0	10,000
South Bronx Council	<u>0</u>	<u>569</u>
<b>Total</b>	<b><u>\$350</u></b>	<b><u>\$51,812</u></b>

**Note 4. Employee Pension Plan**

The defined contribution pension plan was terminated as of August 25, 1991. During 1993, the Board approved the establishment of a voluntary 403B tax-deferred annuity plan, which was activated on August 27, 1993. The Foundation is not required to contribute to the plan and made no contributions to the plan in fiscal year 1993.

**Note 5. Contributed Equipment, Office Space, and Services**

The Foundation received noncash contributions, which are accounted for as described in note 2 and are included in the financial statements for the 9 months ended September 30, 1993, and year ended December 31, 1992, as follows:

	9 months ended September 30, <u>1993</u>	Year ended December 31, <u>1992</u>
Office space	\$20,160	\$55,200
Professional fees - legal	10,710	10,000
Professional fees - financial management	10,000	0
Event sponsorship	<u>2,284</u>	<u>0</u>
<b>Total</b>	<b><u>\$43,154</u></b>	<b><u>\$65,200</u></b>

**Note 6. Changes in Financial Statement Line Items**

**Gold Award Ceremony Expenses**

In 1992, the program services expenses included the Gold Award Ceremony expenses. In 1993, the Foundation disclosed these amounts in a separate line item entitled Gold Award Ceremony.

**Sales Taxes**

In 1992, the Foundation included sales taxes in the program services line item. In 1993, the Foundation disclosed these amounts in the administrative expense line item.

**Note 7. Related Party Transactions**

Due to the nature of the Foundation, contributions are often solicited or received from members of the Congressional Award Board or other related parties. The following related party transactions occurred for the 9 months ended September 30, 1993.

**Swidler & Berlin**

A director of the Board and an attorney with Swidler & Berlin law firm provided pro bono legal services to the Foundation. The value of the legal services (see note 5) is included in the contributions and professional fees line items.

**PaineWebber Incorporated**

A director of the Board is also employed by PaineWebber Incorporated. PaineWebber manages the Congressional Award Fellowship Trust. The value of this trust is disclosed in note 8.

**Note 8. Congressional Award Fellowship Trust**

The Congressional Award Fellowship Trust was created through contributions from supporters of the Congressional Award Program, including members of the World Fellowship. The terms of the trust entitle the Foundation to all earnings on the trust principal of \$176,667 and \$150,814 as of September 30, 1993, and December 31, 1992, respectively. Because the trust is restricted, the principal has not been included in the accompanying statements of the financial position. However, the Foundation received earnings from the Congressional Award Fellowship Trust amounting to \$10,050 and \$10,013 for the 9 months ended September 30, 1993, and year ended December 31, 1992, respectively. The Foundation believes it will continue to receive earnings from this trust indefinitely.

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**Financial Statements**

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